

STATE OF TENNESSEE
DEPARTMENT OF FINANCIAL INSTITUTIONS

IN THE MATTER OF:)	
)	
COVENANT MORTGAGE, LLC,)	TDFI No.: 08-37-C
COVENANT MORTGAGE, INC.,)	
COVENANT MORTGAGE OF)	
TENNESSEE, INC.,)	
)	
Respondents.)	

EMERGENCY CEASE AND DESIST ORDER

The Commissioner of the Tennessee Department of Financial Institutions (hereinafter "Commissioner"), having determined that Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc., have violated and are currently violating the "Tennessee Residential Lending, Brokerage and Servicing Act of 1988" (hereinafter "Act"), Tennessee Code Annotated Sections (hereinafter "TENN. CODE ANN. §§") 45-13-101, *et seq.*, and that extraordinary circumstances require immediate action in this matter, hereby issues the following EMERGENCY CEASE AND DESIST ORDER pursuant to TENN. CODE ANN. § 45-1-107(a)(4), TENN. CODE ANN. § 45-1-107(c), TENN. CODE ANN. § 45-13-103(a), TENN. CODE ANN. § 45-13-116(1), and TENN. CODE ANN. § 45-13-124(c).

JURISDICTION AND IDENTIFICATION OF THE PARTIES

1. TENN. CODE ANN. § 45-1-104 provides that the Tennessee Department of Financial Institutions (hereinafter "Department") is charged with the execution of all laws relative to persons doing or engaged in a banking or other business as provided in Title 45 (Banks and Financial Institutions).

2. TENN. CODE ANN. § 45-1-107(a)(4) provides that, in addition to other powers conferred by Title 45 (Banks and Financial Institutions), the Commissioner has the authority to order any person to cease violating a provision of Title 45 (Banks and Financial Institutions) or lawful regulation issued under Title 45 (Banks and Financial Institutions). Pursuant to TENN. CODE ANN. § 45-1-107(c), notice and opportunity for a hearing shall be provided in advance of the Commissioner issuing such an order, except that in cases involving extraordinary circumstances requiring immediate action, the Commissioner may take such action but shall promptly afford a subsequent hearing upon application to rescind the action taken.

3. The Commissioner is responsible for the administration, enforcement, and interpretation of the Act, and any regulations promulgated pursuant to the Act. TENN. CODE ANN. §§ 45-13-101, *et seq.*

4. TENN. CODE ANN. § 45-13-103(a) states, in pertinent part, that “[n]o person shall act as a mortgage lender, mortgage loan broker, mortgage loan servicer, or mortgage loan originator in this state without first complying with the applicable licensing or registration requirements under this chapter;....”

5. Pursuant to TENN. CODE ANN. § 45-13-116(1), if, after notice and opportunity for a hearing, the Commissioner finds that a person has violated the Act or any administrative rules issued pursuant to the Act, the Commissioner has the authority to order the person to cease and desist violating the Act or any administrative rules issued pursuant to the Act. However, in cases involving extraordinary circumstances requiring immediate action, the Commissioner may take such action without providing the opportunity for a prior hearing pursuant to TENN. CODE ANN. § 45-13-124(c). In such

circumstances, the Commissioner shall promptly afford a subsequent hearing upon an application to rescind the action that is filed with the Commissioner within twenty (20) days after receipt of the notice of the Commissioner's emergency action pursuant to TENN. CODE ANN. § 45-13-124(c).

6. Covenant Mortgage, LLC is an "inactive" for-profit, limited liability company organized under the laws of the state of Tennessee on August 6, 1999 (08/06/1999). The principal office for Covenant Mortgage, LLC is located at 3525 Keith Street, Northwood Center, Suite D, Cleveland, Tennessee 37312. The registered agent for Covenant Mortgage, LLC is Kelly L. Calhoun (hereinafter "Calhoun"), 3525 Keith Street NW, Cleveland, Tennessee 37312. Covenant Mortgage, LLC's identification number with the Tennessee Secretary of State is 0375143. On December 17, 2001 (12/17/01), Covenant Mortgage, LLC filed articles of merger with the Tennessee Secretary of State, and eventually merged with another business entity named Covenant Mortgage, Inc.

7. Covenant Mortgage, Inc. is a domestic, for-profit corporation incorporated under the laws of the state of Tennessee on January 1, 2002 (01/01/02). The principal office for Covenant Mortgage, Inc. is located at 2155 Keith Street NW, Cleveland, Tennessee 37311. The registered agent for Covenant Mortgage, Inc. is Calhoun, 2155 Keith Street NW, Cleveland, Tennessee 37311. Covenant Mortgage, Inc.'s identification number with the Tennessee Secretary of State is 0418671.

8. On August 27, 2007 (08/27/07), Covenant Mortgage, Inc. was administratively dissolved by the Tennessee Secretary of State. On February 25, 2008 (02/25/08), Covenant Mortgage, Inc. was officially reinstated by the Tennessee Secretary

of State, and in addition, Covenant Mortgage, Inc. officially changed its corporate name to Covenant Mortgage of Tennessee, Inc. effective the same date.

9. The Commissioner initially issued Covenant Mortgage, Inc. (presumably then known as Covenant Mortgage, LLC) a mortgage loan broker's license (license number 1308) on September 7, 1999 (09/07/1999). Said license expired on December 31, 2007 (12/31/07), due to Covenant Mortgage, Inc.'s failure to submit a licensure renewal application and to pay the licensure renewal fee as required by TENN. CODE ANN. § 45-13-105(c)(2).

10. The Commissioner received a mortgage loan broker's licensure application from Covenant Mortgage of Tennessee, Inc. on or about February 12, 2008 (02/12/08). Said licensure application is pending as of the entry date of this EMERGENCY CEASE AND DESIST ORDER.

FACTUAL ALLEGATIONS

11. At all times relevant hereto, Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc. did not possess licenses or certificates of registration from the Commissioner to lawfully engage in the business of brokering mortgage loans in the state of Tennessee.

12. In a letter dated December 17, 2007 (12/17/07), from Carl Scott, Director of Licensing for the Department, and addressed to Kelly Calhoun of Covenant Mortgage, Inc., the Department provided written notice to Covenant Mortgage Inc. that it had failed to submit a licensure renewal application and to pay the licensure renewal fee by December 1, 2007 (12/01/07), as required by TENN. CODE ANN. § 45-13-105(c)(2).

13. On February 20, 2008 (02/20/08), Compliance Examiner-in-Charge Mark Stewart (hereinafter "Stewart") conducted an on-site examination of Covenant Mortgage, Inc. at its principal office (2155 Keith Street NW, Cleveland, Tennessee 37311) pursuant to the Act.

14. During the course of the onsite examination referenced in paragraph thirteen (13), Stewart uncovered evidence that Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc. had engaged in the business of brokering mortgage loans in the state of Tennessee despite the fact that the aforementioned entities did not possess licenses or certificates of registration from the Commissioner to lawfully engage in the business of brokering mortgage loans in the state of Tennessee.

15. Specifically, pursuant to the onsite examination referenced in paragraph thirteen (13), Stewart documented nine (9) unlicensed mortgage loan transactions on behalf of Covenant Mortgage, LLC, Covenant Mortgage, Inc., and/or Covenant Mortgage of Tennessee, Inc. covering an approximate time period of January 1, 2008 (01/01/08) through February 8, 2008 (02/08/08).

16. Specifically, Stewart documented evidence indicating that Covenant Mortgage, LLC provided mortgage loan broker's services concerning a mortgage loan transaction that closed on January 25, 2008 (01/25/08). Covenant Mortgage, LLC received approximately four thousand eight hundred sixty-seven dollars and twelve cents (\$4,867.12) in fees concerning said mortgage loan transaction. The application for said mortgage loan transaction was taken by an unregistered mortgage loan originator named "Chris Thompson," on behalf of Covenant Mortgage of Tennessee, Inc.

17. Additionally, Stewart documented evidence indicating that “Covenant Mortgage” provided mortgage loan broker’s services concerning a mortgage loan transaction that closed on January 31, 2008 (01/31/08). “Covenant Mortgage” received approximately one thousand six hundred thirty-three dollars and fifty-two cents (\$1,633.52) in fees concerning said mortgage loan transaction. The application for said mortgage loan transaction was taken by an unregistered mortgage loan originator named “Chris C. Thompson,” on behalf of Covenant Mortgage of Tennessee, Inc.

18. In addition to the aforementioned mortgage loan transactions, Stewart documented evidence that an unregistered mortgage loan originator named “Chris C. Thompson” or “Chris Thompson” had taken information from borrowers, completed four (4) mortgage loan applications, and pulled credit reports concerning said applications on behalf of Covenant Mortgage of Tennessee, Inc. on or about January 24, 2008 (01/24/08) through February 8, 2008 (02/08/08).

19. Furthermore, Stewart documented evidence that an unregistered mortgage loan originator named “Richard T. Prevost” had taken information from borrowers, completed two (2) mortgage loan applications, and pulled credit reports concerning said applications on behalf of Covenant Mortgage of Tennessee, Inc. on or about January 22, 2008 (01/22/08) through February 4, 2008 (02/04/08).

20. Finally, Stewart documented evidence that an unregistered mortgage loan originator named “Kelly Calhoun” had taken information from a borrower, completed a mortgage loan application, and pulled a credit report concerning said application on behalf of Covenant Mortgage of Tennessee, Inc. on or about January 24, 2008 (01/24/08).

21. Pursuant to the onsite examination referenced in paragraph thirteen (13), Stewart drafted an examination report that included a "Violations from Examination" section. According to said examination report, under the "Violations from Examination" section, Stewart specifically noted "...[a]s of the date of this exam, the Licensee has not been approved for a license for 2008. The Licensee has closed two (2) loans since the beginning of the year." Additionally, according to said examination report, Stewart specifically noted "[t]he Licensee had three (3) unlicensed mortgage loan originators. This is a violation of T.C.A. 45-13-103(a) and T.C.A. 45-13-126(a). The examiners found that seven (7) applications have been taken since 01/01/2008."

22. According to the examination report referenced in paragraph twenty-one (21), Covenant Mortgage, Inc. was provided a copy of the examination report at the conclusion of the onsite examination.

23. The aforementioned pattern of engaging in the business of brokering mortgage loans without having first obtained a license or certificate of registration from the Commissioner is an indicator that Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc. will continue to engage in the business of brokering mortgage loans in the state of Tennessee in the future, notwithstanding the fact that the aforementioned entities are not authorized to do so.

CAUSES OF ACTION

24. The factual allegations as stated in paragraphs eleven (11) through twenty-three (23) of this EMERGENCY CEASE AND DESIST ORDER, incorporated by reference as though specifically set forth herein, are sufficient to establish by a preponderance of the evidence that Covenant Mortgage, LLC, Covenant Mortgage, Inc.,

and Covenant Mortgage of Tennessee, Inc. have violated and are currently violating TENN. CODE ANN. § 45-13-103(a), in that the aforementioned entities have engaged and are currently engaging in the business of brokering mortgage loans in the state of Tennessee without having first obtained licenses or certificates of registration from the Commissioner.

25. The factual allegations as stated in paragraphs eleven (11) through twenty-three (23) of this EMERGENCY CEASE AND DESIST ORDER, incorporated by reference as though specifically set forth herein, are sufficient to establish by a preponderance of the evidence that extraordinary circumstances require immediate action pursuant to TENN. CODE ANN. § 45-13-116(1) and TENN. CODE ANN. § 45-13-124(c).

POLICY STATEMENT

26. In order to qualify for a mortgage loan broker's license, TENN. CODE ANN. § 45-13-105(a)(2)(A) requires an applicant to demonstrate the financial responsibility, experience, and character sufficient enough to warrant the belief that the applicant's business will be conducted lawfully and within the purposes of the Act.

27. Additionally, TENN. CODE ANN. § 45-13-105(a)(2)(B) requires an applicant seeking a mortgage loan broker's license to demonstrate a tangible net worth (tangible assets less liabilities) of not less than twenty-five thousand dollars (\$25,000.00), and an additional tangible net worth of twenty-five thousand dollars (\$25,000.00) for each additional location within Tennessee specified in the application.

28. Furthermore, TENN. CODE ANN. § 45-13-106(a) requires an applicant seeking a mortgage loan broker's license to obtain a surety bond or irrevocable letter of credit in the amount of ninety thousand dollars (\$90,000.00), for the benefit of any person

injured by the wrongful act, default, fraud, or misrepresentation by the licensee or the licensee's employees, or both.

29. Pursuant to TENN. CODE ANN. § 45-13-103(b)(2), in order to qualify for a certificate of registration, a person must file a registration statement with the Commissioner seeking an exemption from the licensing requirements set forth in the Act. Once the registration statement is filed, the Commissioner is responsible for determining whether the claim of exemption is meritorious.

30. Additionally, pursuant to TENN. CODE ANN. § 45-13-119(b), in order to qualify for a certificate of registration, a person must demonstrate a tangible net worth (tangible assets less liabilities) of not less than twenty-five thousand dollars (\$25,000.00), and an additional tangible net worth of twenty-five thousand dollars (\$25,000.00) for each additional location within Tennessee specified in the registration statement.

31. The factual allegations set forth in paragraphs eleven (11) through twenty-three (23) of this EMERGENCY CEASE AND DESIST ORDER, incorporated by reference as though specifically set forth herein, are sufficient to establish by a preponderance of the evidence that Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc. have violated and are currently violating TENN. CODE ANN. § 45-13-103(a), by engaging in the business of brokering mortgage loans in the state of Tennessee without having first obtained mortgage loan broker's licenses or certificates of registration from the Commissioner. Said violation has deprived the Commissioner of the opportunity to determine whether the aforementioned entities have the financial responsibility, experience, and character sufficient enough to warrant the belief that their brokering businesses will be conducted lawfully and within

the purposes of the Act, or whether the aforementioned entities are otherwise qualified for an exemption from the licensing requirements set forth in the Act. Additionally, said violation has deprived the Commissioner of the opportunity to determine whether the aforementioned entities have demonstrated a tangible net worth (tangible assets less liabilities) of not less than twenty-five thousand dollars (\$25,000.00), and an additional tangible net worth of twenty-five thousand dollars (\$25,000.00) for each additional location within Tennessee specified in the application or registration statement. Furthermore, said violation has deprived the Commissioner of a surety bond or irrevocable letter of credit in the amount of ninety thousand dollars (\$90,000.00), for the benefit of any person injured by the wrongful act, default, fraud, or misrepresentation by the aforementioned entities or their employees.

EMERGENCY RELIEF

32. Having considered the factual allegations contained herein, the Commissioner has determined that Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc. have violated and are currently violating the Act, and that extraordinary circumstances warrant immediate action.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Covenant Mortgage, LLC, Covenant Mortgage, Inc., and Covenant Mortgage of Tennessee, Inc. shall cease and desist immediately from brokering mortgage loans involving real property located in the state of Tennessee without mortgage loan broker's licenses or certificates of registration from the Commissioner pursuant to TENN. CODE ANN. § 45-1-107(a)(4), TENN. CODE ANN. § 45-1-107(c), TENN. CODE ANN. § 45-13-103(a), TENN. CODE ANN. § 45-13-116(1), and TENN. CODE ANN. § 45-13-124(c).

33. The provisions of this EMERGENCY CEASE AND DESIST ORDER shall remain in full force and effect unless and until such time as any provision is modified, terminated, suspended or set aside by the Commissioner, an administrative judge, or any court having jurisdiction over the matters addressed herein.

RIGHTS OF THE RESPONDENTS

34. The Respondents have the right to a prompt hearing for the purpose of contesting and obtaining rescission of this EMERGENCY CEASE AND DESIST ORDER. If a prompt hearing is timely requested by the Respondents, the hearing shall be conducted in accordance with the Uniform Administrative Procedures Act, TENN. CODE ANN. §§ 4-5-101, *et seq.*, and pursuant to the Official Compilation Rules & Regulations of the State of Tennessee, Rules of Procedure for Contested Cases, Chapter 0180-6.

35. The sole issue to be considered at the prompt hearing is whether extraordinary circumstances required immediate action in this matter. This EMERGENCY CEASE AND DESIST ORDER does not constitute a final adjudication upon the merits, but merely constitutes a temporary, emergency order until such time that a contested case may be promptly instituted by the filing of: 1) a Notice of Opportunity for Hearing and the Rights of the Respondent; and 2) a Notice of Charges.

36. In order to request a prompt hearing, the Respondents must file a written request with the Commissioner within twenty (20) days from receipt of this EMERGENCY CEASE AND DESIST ORDER. Any written request for a hearing must be filed with the Commissioner, Tennessee Department of Financial Institutions, Nashville City Center, 511 Union Street, 4th Floor, Nashville, Tennessee 37219. If no

such written request is timely filed with the Commissioner, this EMERGENCY CEASE AND DESIST ORDER shall be deemed a Final Order without further legal process.

37. The Respondents may file a Petition for Appeal with the Commissioner within fifteen (15) days of entry of this EMERGENCY CEASE AND DESIST ORDER pursuant to TENN. CODE ANN. § 4-5-315(b).

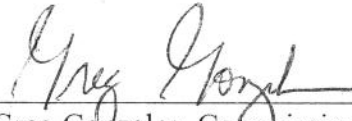
38. The Respondents may submit to the Commissioner a petition for stay of effectiveness of this EMERGENCY CEASE AND DESIST ORDER or the Final Order within seven (7) days of entry pursuant to TENN. CODE ANN. § 4-5-316.

39. The Respondents may file a Petition for Reconsideration with the Commissioner, stating the specific grounds upon which the relief is requested, within fifteen (15) days of entry of this EMERGENCY CEASE AND DESIST ORDER or the Final Order pursuant to TENN. CODE ANN. § 4-5-317.

40. The Respondents may seek judicial review of this EMERGENCY CEASE AND DESIST ORDER by filing a Petition for Judicial Review in the chancery court of Davidson County, Tennessee, within sixty (60) days of the date this Order becomes a Final Order. A Petition for Reconsideration does not act to extend the sixty (60) day period; however, if the Petition is granted, then the sixty (60) day period is tolled and a new sixty (60) day period commences from the effective date of the Final Order disposing of the Petition.

ENTERED AND EFFECTIVE this the 4TH day of March, 2008.

On behalf of the Department:

A handwritten signature in dark ink, appearing to read "Greg Gonzales", is written over a horizontal line.

Greg Gonzales, Commissioner
Tennessee Department of Financial Institutions